

1-1962

Farm and Home Outlook for 1962

Francis A. Kutish
Iowa State University

Phyllis J. Olson
Iowa State University

Follow this and additional works at: <https://lib.dr.iastate.edu/farmscience>



Part of the [Agriculture Commons](#)

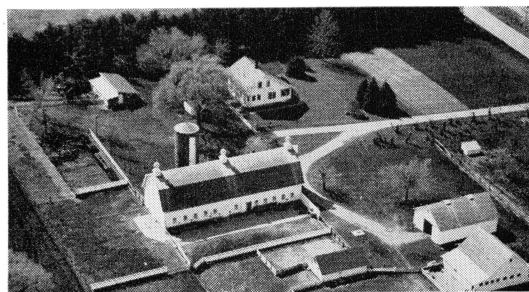
Recommended Citation

Kutish, Francis A. and Olson, Phyllis J. (1962) "Farm and Home Outlook for 1962," *Iowa Farm Science*: Vol. 16 : No. 7 , Article 2.

Available at: <https://lib.dr.iastate.edu/farmscience/vol16/iss7/2>

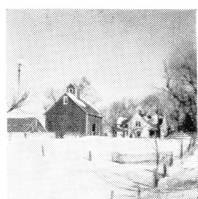
This Article is brought to you for free and open access by the Extension and Experiment Station Publications at Iowa State University Digital Repository. It has been accepted for inclusion in Iowa Farm Science by an authorized editor of Iowa State University Digital Repository. For more information, please contact digirep@iastate.edu.

Farm and Home



Outlook

For 1962



FARM

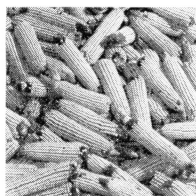
Demand for the products produced by Iowa farmers is expected to be stronger for the year 1962 as a whole than it was in 1961. Economic activity has rebounded rather sharply from the recession low reached in early 1961. It's expected to advance further this year. Rising incomes, coupled with population growth, will result in a stronger domestic market for food and other farm products in 1962.

The 1960-61 recession was the fourth — and the mildest and shortest—recession of the post-war period. During 1962, we can expect further increases in government spending (particularly for defense purposes), in business spending for new factories and factory equipment, and in consumer buying as personal incomes expand. These factors should push the economy upward through the coming year—enough to take up most of the slack existing in the economy—but without resulting in significant increases in general price levels.

Consumer incomes will rise in 1962, and so will employment. The combination is expected to lead to a substantial gain in consumer spending. This sets the stage for a generally stronger do-

mestic market in 1962 for food as well as goods and services in general.

United States farm exports in 1962 will equal or exceed the high levels of 1961.



Feed Grains

The current livestock feeding year is the first since 1952 in which feed-grain supplies are smaller than in the preceding year. And it's also the first year since 1952 that a smaller carryover of feed grains is in prospect for the close of the marketing year!

Uniformly fine weather pushed up per-acre yields to record levels in 1961. But the federal feed-grain program managed to reduce feed-grain output below the level of usage. This is something that didn't happen even in 1956-58 when the Soil Bank acreage-reserve program was in operation. Thus, for the first time in 9 years, some reduction will be made in the grain surplus.

Usage of feed grains this year will be about the same as it was in 1961. Livestock numbers are greater, but the rate of feeding probably will be down because of higher-priced feed. As a result of the sell-back features of the feed-grain program (payment-in-kind to finance the acreage pay-

ment for participation), however, the amount of feed grains available to farmers for feeding will be as large as last year. This is because of the higher support rate for corn compared with that of last year. Output of livestock and livestock products will be maintained.

Corn, which is Iowa's most important crop, is down about 9 percent from last year's production. Prices are expected to continue near current levels through the winter. Next summer's prices will depend upon a combination of the following forces: (1) USDA's resale policy on corn; (2) the kind of weather we have; and (3) the level of producer participation in the 1962 feed-grain program.

Total corn carryover next fall is expected to be between 150 and 200 million bushels *less* than on Oct. 1, 1961! Also, the oat crop is the smallest since 1939! It will fall below domestic demand. As a result, the 1962 carryover of oats also will be reduced.

Turning to the demand side for feed, livestock numbers are expected to increase slightly. More hogs will be fed, and cattle numbers will be slightly higher. There will be more laying hens, about as many broilers, but perhaps fewer turkeys. Dairy feeding will continue at a high level.

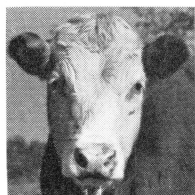
The large supply of soybean meal is expected to result in soybean prices averaging below the levels of the past year. Soybean meal and other high-protein feeds aren't expected to repeat the sharp

winter and spring price advance which occurred last year. Soybean prices advanced in the late harvest season last fall. This was largely the result of a combination of heavy export selling, a spread-out harvest of soybeans because of the weather, and small supplies of soybeans carried over at the end of the old crushing year.

The result was a squeeze on the soybean meal price as the industry struggled to fill its heavy export commitments. These commitments were largely filled by the end of the year. There was, therefore, a late November and December decline in soybean meal prices from the early November high.

The spreading out of the harvest year resulted in some of the soybean processors in Iowa and southern Minnesota failing to completely fill their storage facilities at harvest. So some strengthening of soybean prices from the harvest low is expected—probably sometime during the winter or early spring period when processors decide to acquire more beans.

The total supply of soybeans this year is larger than both the expected export and the expected domestic demand. In contrast to corn and oats, the carryover of soybeans next fall probably will be around 60 to 80 million bushels—in contrast, too, with the meager 6 million bushels that were carried over last fall.



Meat Animals

Hog prices for 1962 as a whole are expected to average somewhat below the 1961 level. *Lamb prices* are expected to improve over 1961. And the average price for *all* cattle and calves is expected to be about the same as in the past year. However, some changes in the prices for *certain grades and classes* of cattle are in prospect for 1962. Fed cattle prices aren't expected to go as high as in the past year. Neither are they expected to get quite as low as they did in 1961. But slaughter cow

prices are expected to be lower during the late summer and fall than last year because of the larger cow slaughter.

Cattle numbers in total are likely to increase further during the coming year. But the pressure towards replacing some of the older cows that have reached the culling stage will tend to reduce the number of heifers available for slaughter. Thus there'll be a brake on the increase in the number of grain-fed cattle available for slaughter in the coming year, with an accompanying increase in the cow slaughter.

Cow slaughter was below average in 1958 and 1959. It increased in 1960—mainly because of the generally pessimistic attitude prevailing in the cattle country in the summer and fall of that year. But excellent wheat pastures, the downward revision of cattle numbers and the improved outlook for business conditions in 1961 all combined to change the attitude of pessimism to one of optimism in the cattle country. As a result, cow slaughter fell below year-earlier levels from early 1961 for the rest of the year.

Thus, in spite of the fact that cattle slaughter increased only 1 percent in 1961 over 1960, total beef production went up 3 percent. Cattle were marketed at heavier weights, and there were more steers and heifers in proportion to cows in the total slaughter. The net result was that beef consumption was pushed to the record level of 86.7 pounds per person.

Sharply lower prices for fed cattle last summer and fall and below-average feeding profits still didn't dim the enthusiasm of cattle feeders. Good wheat pastures plus strong feedlot demand pushed feeder cattle prices to higher levels in the fall of 1961 than in the previous year. This means that cattle feeders will have to sell their cattle for more money in 1962 than they did in 1961 to get comparable returns from cattle feeding.

The greater cattle slaughter this year was more than offset by a larger calf crop, a smaller calf slaughter and a slight increase in cattle imported from Canada and Mexico. So the total number of

cattle and calves on hand Jan. 1, 1962, probably will be in the range of 98½ to 99 million head. Most of the gain will be in cow and calf numbers.

The larger number of cattle and calves on hand Jan. 1, 1962, will provide a basis for an increase in the number of cattle slaughtered this year. Unless we run into a liquidation of cattle numbers resulting from depressed range conditions, however, the slaughter increase next year isn't expected to be great. If pasture conditions continue good, the strong 1961 fall market for feeder cattle is expected to continue the general attitude of optimism throughout the cattle country.

The increase in cattle numbers which has occurred the past 2 years—and which also is in prospect for this year—is in keeping with the population increase and the rise in per-capita income indicated by the general outlook picture. In other words, if cattle numbers expand in the neighborhood of a million to a million-and-a-half each year and if our general economy expands at the rate it has been, it's possible to have steady-to-slightly-improving cattle prices taking place at the same time.

But the expected increase in cow slaughter this summer and fall will be accompanied by lower slaughter cow prices—especially for canner and cutter cows. The price weakness may also extend, to some extent, to the lower-grade slaughter steers and heifers.

Thus, the *spread between grades* of slaughter cattle is likely to be wider next fall than it was in the fall of 1961. An important factor affecting the lower-grade slaughter cattle and the price of feeder cattle next fall also will be the condition of 1962 wheat pastures. The strong wheat pasture demand certainly was a factor in the feeder cattle market in the fall of 1961. If this demand isn't as strong next fall, it will remove or weaken one of the strong factors in pushing up fall feeder cattle prices.

Hog producers had a good year in 1961. The effect of the increase in the 1961 pig crop didn't show up in hog slaughter until

early October. As a result, the summer price strength was maintained for an unusually long period of time.

The number of hogs available for slaughter this winter and spring will be a little larger than that of a year ago—because of the slight increase in the 1961 fall pig crop. Most of the increase in the 1961 fall pig crop came late. The effect of this increase on marketings will be felt in late winter and spring.

Meanwhile, early indications point toward less pork moving into storage this winter than a year ago. This, in turn, means smaller supplies of storage pork—particularly hams and bellies—on the market next summer. This should offset the increase in the fall pig farrowings. As a result hog prices next summer could be as high as—and possibly even higher than—in the summer of 1961.

At the same time, indications are for a slight increase in the early farrowed litters of the 1962 spring pig crop, with most of the increase coming in the February and March farrowings. If the total increase in the entire spring pig crop is in the neighborhood of 3 to 4 percent, serious price troubles wouldn't be expected next fall. An increase of this size would increase per-capita consumption of pork by only about half a pound and wouldn't mean a sharp adjustment problem.

If the increase takes place primarily in the late February, March and early April farrowed pigs, however, the prospects would point toward an earlier fall decline in hog prices than took place in 1961. The sharp downward adjustment didn't come then until early October. An increase in March litters would push the fall price decline ahead by perhaps a month. Thus, current indications point toward getting early farrowed pigs off to market as fast as possible in the coming year. The so-called grace period isn't likely to extend as long in 1962 as it did in 1961.

Lamb slaughter in the late fall of 1960 and through much of 1961 was substantially higher

than it had been for several years. This high rate of slaughter pushed lamb prices to a discouragingly low level. Part of the slaughter in the first half of 1961 came from ewe lambs that originally were headed for flock replacements. Wheat pastures also added to the slaughter supply.

However, lamb prices showed more strength in the fall of 1961 than in the previous fall. With a later Easter in 1962 and decreased competition from old-crop lambs, the market for early spring lambs should be better in 1962.

Sheep and lamb numbers on Jan. 1, 1962, are expected to show nearly a 1-million-head reduction as compared with Jan. 1, 1961. As a result, the 1962 lamb crop is expected to be smaller—which, in turn, will tend to strengthen lamb prices throughout the year.



Dairy

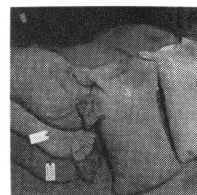
Milk production increased in 1961. And it's expected to increase again in 1962. But the commercial demand for milk and milk products declined last year. This decline may be stopped in 1962 as the effects of the increased economic activity in the general economy show up. But the expansion of demand won't be sufficient to push up total commercial consumption of dairy products to the point where demand will absorb the increase in milk production. As a result, CCC purchases of milk products for price-support purposes will top the levels of 1961 and may come close to the high levels of 1953 and 1954.

Prices to farmers and consumers through March 1962 will be little different from the current levels. Thereafter, the level of dairy supports—which will be announced to take effect for the year beginning April 1—will be the important factor in dairy prices for the rest of the year.

We're now in the expansion phase of milk production. Several

years of continued favorable price relationships between milk prices and feed prices, plus the decline in beef cattle prices in the past 2 years, have pushed up milk production. There has been a downtrend in milk cow numbers. But this downtrend has slowed considerably during the last 2 years.

Milk cow numbers declined by 5 percent in 1958, by 4 percent in 1959, by only 2 percent in 1960 and by but 1 percent in 1961. Thus, a smaller number of dairy-men with fewer cows in total—but with larger herd sizes—were able to expand milk output by 2 billion pounds in 1961.



Farm Costs

The longtime trend in farm production costs has been steadily upward. This is a result of a combined effect of an increase in the amount of items purchased in order to farm and a rise in the prices of these items.

Some further increase in production expenses is expected this year—but the rate of increase probably will be less than that which took place in 1961. Grain prices will be a little higher for the year as a whole, while protein-feed prices will be a little lower. Machinery prices will be at least as high or higher. Property taxes, which have been going up for several years, are expected to continue their rise during the coming year.

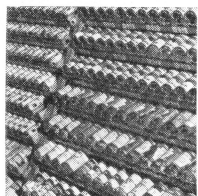
—Francis A. Kutish



HOME

As families face the future, they're confronted with making many decisions which affect all the family. Probably one of the most challenging and one of the most pressing of the many problems has to do with the use of the family income—how much to

spend, how much to save, what to buy and when to buy. A study of the economic outlook and what we can expect to see in terms of goods and services will make planning a little easier. Let's examine the outlook for 1962 in various areas of family living which may help us in making some of these important decisions.



Food

Food supplies in 1962, the nutritive value and the per-person food consumption aren't expected to change much from the 1961 level. With higher consumer incomes forecast for next year, it's possible that the per-capita food consumption will increase slightly. Charges for marketing these food products probably will average about 2 percent higher than last year. The food in your market basket will cost a little more, but the farmers' share of each food dollar spent will go down slightly. The higher marketing costs will be due mostly to increased wage rates and higher transportation costs.

Some decline in the average price of meat from the present level is expected this winter. We can expect to eat more meat in 1962. Nearly all of the increase will be in pork. Continued plentiful supplies of dairy products will tend to keep the prices we pay for dairy items about the same.

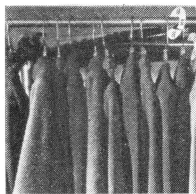
We can expect to have a good supply of citrus fruits available; much of it will be in the form of frozen orange juice concentrate. The only citrus fruit expected to be in smaller supply is the Florida tangerine.

Families can look forward to seeing interesting new foods on the market. Some may be available within a few months; others may not appear on grocers' shelves until a few years from now. Successful new techniques in dehydration have resulted in products with excellent fresh-flavor quality and convenience. One of the most exciting processes

to hit the food field is freeze-drying. With this process, food, in frozen state, is dehydrated under a vacuum.

Freeze-dried foods regain their original fresh-flavor quality when they're prepared. If properly sealed, these foods can be stored at room temperatures for long periods of time. The main emphasis at the present time is on freeze-drying of meat products.

Iowa families will continue to be affected directly and indirectly by the USDA's food-distribution programs. These include the National School Lunch Program and the Direct Distribution Program. Currently, 64,000 schools throughout the country participate in the National School Lunch Program. This represents about one-third of all children enrolled in schools. Needy families who receive foods in the Direct Distribution Program are now receiving donations with an average retail value of \$6 per month as contrasted to \$3 in 1960.



Clothing and Textiles

Price increases probably can be expected in clothing for the family. This is due partly to an increase in the minimum wage of the textiles workers. A further increase in the minimum wage will become effective in 2 years. Higher prices for cotton goods also are expected because of higher prices paid for raw cotton.

Consumers are becoming more concerned about quality and are more willing to pay a premium for it. For example, consumers attach a great deal of importance to brand names and labels or finishes which convey a guarantee of quality. They're willing to pay more for manmade fibers than natural fibers because of special qualities such as strength and durability.

We can expect the trend to continue for work clothing to be better styled and more colorful. Sport-style shirts are replacing work shirts for men and boys to a great extent. Men's and boys' bib

overalls have declined to less than a third of the 1947 production. Work pants styled more like sports slacks are taking over from dungarees and overalls.

Families can expect more interesting developments in the fiber field. The trend for lighter-weight fabrics to be used in clothing will continue. This has been made possible by the advent of new fibers of high strength.

New processes are being developed which will result in a wash-and-wear finish on cotton that will last the life of the garment. It's a nonresinous finish obtained by a chemical reaction with cotton fibers.

Last year, manmade fibers represented over 30 percent of the fiber consumption. The production of new fibers has brought identification problems. Until 1960, wool products and furs were the only textiles products required by law to carry proper descriptive labels. The Textile Fiber Products Identification Act, which went into effect in 1960, requires that, for the types of garments covered, the relative proportions of fibers making up 5 percent or more of the fabrics must be indicated on the label. A weakness is that the Act doesn't include performance standards. Also, once the labels are detached, the consumer forgets the contents. However, an ingenious, symbolic marking system has been worked out to indicate the proper treatment. We can expect to see more and more use of these symbols by manufacturers and can expect to find them stamped, printed, sewed or cemented permanently to the garment.

A recent innovation in retail distribution is the self-service soft goods supermarkets, sometimes called "discount department stores." By 1960, business in such outlets was estimated at 6-7 percent of retail sales of general merchandise and apparel stores. These items are self-service with check-out counters and shopping carts. Such stores operate at a low markup—about 20-30 percent as compared with 35-40 percent through regular outlets.

A part of this trend in retailing is the integration with food and

drug stores. This change is a competitive change which is likely to bring lower margins and possible lower prices in the same way as did the discount stores a few years ago.

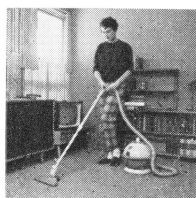


Housing

Most of the push in construction since the business recovery began in 1961 has been in residential construction.

The Housing Act of 1961 contains several provisions that will make it easier for low- and medium-income families to obtain loans to repair or remodel their old homes or to acquire new ones in the coming year. The Act authorizes the Farmers Home Administration to make loans to families living in rural areas, even though they're not engaged in farming. This bill also provides that a small loan to modernize or repair a farm dwelling may be made without requiring a mortgage on the farm.

The general upward trend in rental prices is likely to continue during the coming year, but the rate of increase is expected to be moderate. Legislation may make it easier for some families to get mortgage credit for a new home or to modernize an existing one in 1962. We can expect an improvement in housing as the level of income is raised.



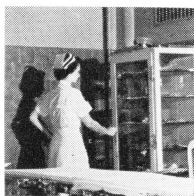
Household Equipment, Furnishings

Prices of house furnishings and equipment have declined this past year. Appliances prices have declined since 1957 and are now 2.4 percent lower than in September 1960. However, we find that this year may bring a halt to the decline or even a slight increase in prices. Some appliance manufacturers have announced increases of from 3 to 5 percent. Whether the distributors pass this

increase on to the consumer will depend to a large extent on demand for the product.

Sales of household durable goods early last year were disappointing to the trade. However, there now is a growing optimism among manufacturers that sales will be higher in 1962.

One of the most interesting developments relative to household durable goods last year was the introduction of the "Truth-in-Lending Bill" or "Douglas Bill." If the Congress passes this bill at the next session, families will be provided with information which will make it easier for them to find the best available credit for their installment purchases. The bill would require a person engaged in the business of extending credit to furnish his customer with a written statement concerning details of the credit. The details would include such things as the finance charges to be expressed in terms of dollars and cents.



Medical Care, Health

Since World War II, the prices that families pay for medical care have increased more rapidly than the consumer price index for all other items combined—rising about 60 percent, as compared with 28 percent for all other items. The steady increase for medical care in the postwar period has been due largely to the in-

crease in service costs (see chart). The major price increase occurred for hospital room rates and for hospitalization insurance. The increase in hospital room rates can be explained by increase in earnings of hospital personnel, additional expenses for more paid labor and higher prices for supplies and equipment.

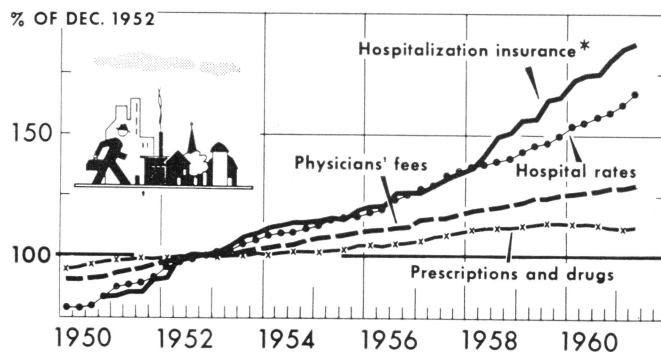
Families are placing increasing importance on medical care as evidenced by the increase in the proportion of total expenditures which is devoted to medical care. Some of the increase in the use of medical care, however, probably is due to the increase in the average length of life. The need for medical care by older people is usually more prevalent.

Since the nature of our illnesses has shifted from communicable diseases to mental and chronic disorders, we can look forward to continued efforts to reduce illnesses in these areas. We can expect the cost of such progress to take an increasing share of the average family budget during the next year.

The intense interest in drug prices within the past few years was brought about by higher prices paid for new drug preparations. Whether these new drugs should have been as expensive as they were was the point in question. Since the latter part of 1960, manufacturers' prices for prefabricated prescriptions have been reduced. The lower prices have also been attributed to increased competition, mail-order sales and similar competitive influences.

—Phyllis J. Olson

Hospital Costs Lead Rise in Medical Care Prices



DATA FROM BUREAU OF LABOR STATISTICS: MARCH 1950-JUNE 1961.
*NOT AVAILABLE BEFORE DEC. 1950.